

Investment Section

Report On Investment Activity

Prepared by the Washington State Investment Board

Overview

The Washington State Investment Board (WSIB) manages retirement fund assets to maximize return at a prudent level of risk (chapter 43.33A.110 RCW). Investment decisions are made within the framework of a Strategic Asset Allocation Policy, and a series of written WSIB-adopted investment policies for the various asset classes in which WSIB invests.

The Retirement Funds, collectively called the Commingled Trust Fund (CTF), increased in value by \$4.7 billion during fiscal 2004 to \$43.5 billion. The CTF return was 16.06 percent for the fiscal year.

Performance

The chart below shows the returns for the CTF on a total fund basis, as well as by asset class. Appropriate benchmark returns are provided for comparison purposes.

Periods Ending 6/30/2004

	1 Year	3 Year	5 Year
TOTAL FUND	16.06%	4.21%	3.97%
MAP Benchmark	17.53	3.31	1.65
U.S. Equity	21.44%	0.71%	-0.66%
Wilshire 5000	21.24	0.79	-1.03
Non-U.S. Equity	29.99%	4.73%	2.13%
MSCI ACWI Free ex-U.S	32.50	5.25	0.96
Fixed Income	1.54%	7.10%	7.57%
Lehman Universal	1.00	6.65	7.08
Cash	1.03%	1.73%	2.50%
90 Day T-Bills	0.98	1.71	3.29
Private Equity	21.48%	0.72%	5.87%
S&P 500 + 500 bp	24.11	4.31	2.79
Real Estate	10.58%	10.58%	11.31%
NCREIF + 100 bp	11.83	8.97	10.41

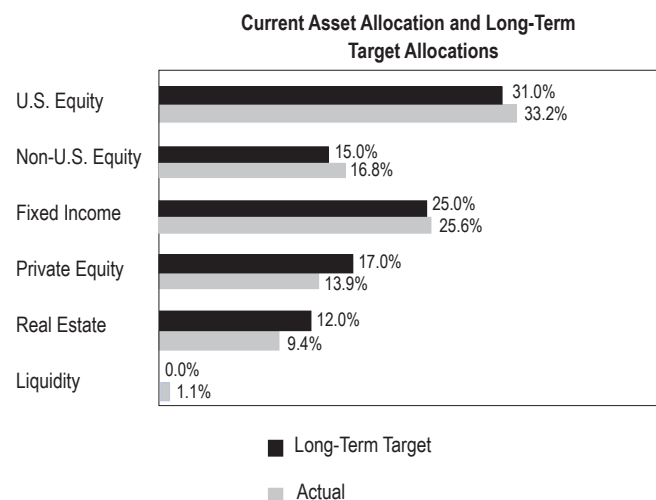
Performance information is compiled by the custodian, State Street Bank and Trust. Performance numbers are reported net of management fees, and are prepared using a time-weighted rate of return based on the current market value using the Association for Investment Management and Research (AIMR) Calculation Standards.

Asset Allocation

Investment performance is a result of two primary factors: individual asset selection and the allocation of the portfolio among asset classes (e.g. stocks, fixed income, real estate). Studies suggest that more than 90 percent of investment performance can be explained by asset allocation decision.

Accordingly, the WSIB sets a specific long-term target asset mix and adopts tight ranges around those targets to control the overall risk and return of the CTF. On a daily basis, the WSIB reviews the asset allocation in relation to the established ranges. The staff shifts assets whenever the allocation range for an asset exceeds the approved range or when cash is needed elsewhere. The WSIB reviews changes to the overall asset mix every three to four years.

The chart below shows the CTF's asset allocation as of June 30, 2004, as well as the long-term target allocations.



U.S. Equity

The U.S. Equity portfolio is structured to capture the returns of the broad U.S. equity market as measured by the Dow Jones Wilshire 5000 Index. The index is comprised of all U.S. domiciled common equities for which pricing information is readily available, and currently represents more than 5,000 companies. The portfolio is managed externally using a passive management strategy, that closely tracks the index.

Retirement Fund's Ten Largest U.S. Equity Holdings as of 6/30/2004

General Electric Corp.	2.7%	Intel Corp.	1.4%
Microsoft Corp.	2.3%	Bank of America Corp.	1.4%
Exxon Mobil Corp.	2.3%	Johnson & Johnson	1.3%
Pfizer Inc.	2.1%	American Int'l Group, Inc.	1.3%
Citigroup Inc.	1.9%	Cisco Systems, Inc.	1.3%

Non-U.S. Equity

Over 89 percent of the non-U.S. equity portfolio is invested in the developed markets with the remaining portion invested in the emerging markets. Portfolios are managed by external managers employing a combination of both active and passive management strategies.

Retirement Fund's Ten Largest Exposures by Country as of 6/30/2004

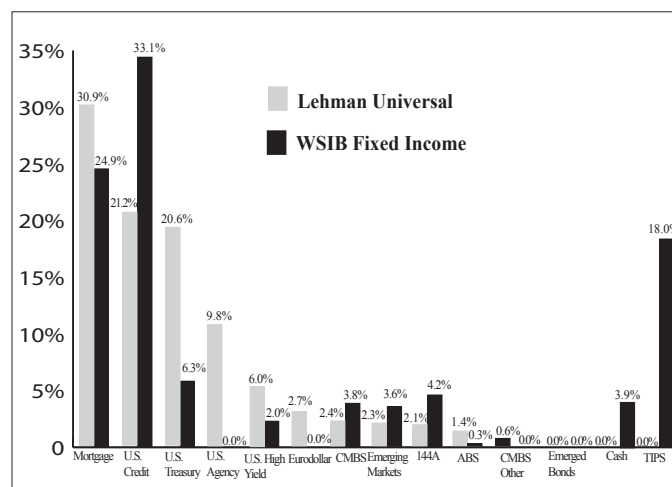
	CTF Weight	Index Weight		CTF Weight	Index Weight
United Kingdom	19.8%	21.2%	Netherlands	4.3%	4.1%
Japan	19.5%	20.4%	Australia	4.0%	4.1%
France	7.4%	8.0%	Canada	3.7%	5.3%
Germany	5.6%	5.8%	Spain	3.6%	3.0%
Switzerland	4.7%	6.1%	Italy	2.7%	3.2%

The ten largest country exposures comprise 75.3% of the portfolio versus the index at 81.4%.

Fixed Income

The Fixed Income portfolio is internally managed by WSIB staff with the Lehman Universal Index as the performance benchmark. The management strategy is primarily one of sector selection. The portfolio is structured to be over- or under-weighted relative to the index's sectors: primarily treasuries, agencies, credit, mortgage backed securities and asset backed securities. The duration of the portfolio is 18 percent shorter than that of the Lehman Universal Index.

Retirement Fund's Fixed Income Sector Distribution as of 6/30/2004



Private Equity

The private equity portfolio, originated in 1981, is primarily invested in partnerships that acquire or create ongoing businesses or operating companies. The WSIB has investments in all stages of the business life cycle, from private start-up technology companies to large multinational public concerns. These are long-term investments, typically 10 to 12 years in life. They are expected to generate investment return well in excess of public equity securities. Approximately 19 percent of this portfolio is invested in international private equity, primarily in Europe.

Real Estate

The Real Estate portfolio is invested in a diversified group of properties including office buildings, retail facilities, apartments, warehouses and specialty properties. The majority of these investments have been made in partnerships with operating management groups. The WSIB invests in real estate both in the United States and internationally.

Portfolio Holdings

A complete list of portfolio holdings is available by contacting:

Washington State Investment Board
 2100 Evergreen Park Drive SW
 P.O. Box 40916
 Olympia WA 98504-0916
 (360) 956-4600

Summary of Investment Policies

The Washington State Investment Board (WSIB) has been authorized by statute as having the investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk (RCW 43.33A.110).

Retirement Fund Asset Allocation

WSIB establishes asset allocation targets that must be considered at all times when making investment decisions. The asset mix may deviate from the target. Deviations greater than predetermined acceptable levels require rebalancing back to the target. When an asset class exceeds its range, the goal of rebalancing will be to meet the target allocation within consideration of the other remaining asset classes.

Retirement funds are invested in the Commingled Trust Funds (CTF). The CTF's performance benchmark objective is to exceed the return of a policy benchmark consisting of public market indices weighted according to asset allocation targets. The asset allocation for the CTF is formally reviewed every three or four years. WSIB reviews the asset allocation in relation to the established ranges on a monthly basis.

Public Markets Equity

The Public Markets equity program seeks to:

- Achieve the highest return possible consistent with the desire to control asset volatility;
- Ensure protection for long-term liabilities, since shorter term liabilities are more suitably protected by lower volatility instruments such as fixed income securities; and
- Provide diversification to the WSIB's overall investment program.

The public markets equity portion of the retirement fund includes strategies in the U.S., developed international, and emerging markets. Since the U.S. equity markets are generally efficient, the domestic equity portfolio is entirely (100

percent) passively managed. Over time, the domestic equity portfolio should closely track the return of a broad U.S. market benchmark, such as the Dow Jones Wilshire 5000 Index. Non-U.S. markets are generally less efficient than the U.S. market; therefore, more active management will be included in the approach taken with international markets. The weightings of the elements of the developed markets and emerging markets of the non-U.S. equity program will be similar to the weightings of the MSCI All Country World ex. U.S. which serves as the benchmark for the WSIB's entire non-U.S. program.

Fixed Income

The WSIB's fixed income investments are to be actively managed to exceed the return of the Lehman Universe Index, with volatility similar to or less than the index. The portfolio constraints are that no corporate fixed income issue shall exceed 3% of cost at the time of purchase or 6% of market value thereafter of the fund, and no high yield issues shall exceed 1% of cost or 2% of market value of the fund.

Permissible fixed income market segments include: U.S. Treasuries and government agencies, Treasury Inflation Protection Securities, investment-grade credit bonds, high yield bonds, publicly traded mortgage-backed securities, commercial mortgage-backed securities, privately-placed mortgages, private placements of corporate debt, asset-backed securities, convertible securities, non-dollar bonds, real estate mortgages, and Washington State Housing Finance Commission (HFC) taxable municipal bonds up to a total of \$25 million with a maximum of \$10 million per year. Other fixed income segments and instruments may be added from time to time as they are developed or deemed appropriate.

Private Equity Investing

The WSIB can invest in any appropriate private equity investment opportunity which has the potential for returns superior to traditional investment opportunities and which is not

prohibited by the WSIB's policies or by law. As previously indicated, these investment types are divided into venture capital investments, corporate finance (including leveraged, management and employee buyouts), distressed, international, and mezzanine investments. Private equity investments are made through limited partnership vehicles.

To meet the return and plan objectives, the private equity portfolio has diversified investments in companies in a variety of stages of growth. The portfolio also includes a broad cross-section of opportunities in different industries, and geographic regions.

Real Estate Program

The WSIB's real estate program is an externally managed pool of selected partnership investments, intended to provide alternative portfolio characteristics when compared to traditional stock and bond investments. The majority of the WSIB's partnerships invest in institutional-quality real estate assets that are leased to third parties. The combination of income generated from bond-like lease payments, coupled with the hard asset qualities of commercial real estate, combine to generate returns that are expected to fall between the return expectations for fixed income and equities. The real estate portfolio is managed to deliver risk-adjusted returns that are

consistent with the Board's long term return expectations for the asset class. The WSIB's real estate partnerships typically invest in private real estate assets that are held for long term income and appreciation. Many of the WSIB's investment partnerships do not involve co-investment with other financial entities, thereby providing the WSIB with control provisions related to liquidation, acquisition, and ongoing operational decisions like annual capital expenditures.

Volatility within the real estate portfolio is minimized through a combination of factors. First, the majority of the WSIB's partners own commercial real estate assets in a private investment form which are not subject to public market volatility. Second, real estate capital is diversified among a host of partners with varying investment styles. Third, partnership assets are invested in numerous economic regions, including international markets, and in various property types. Fourth, WSIB partners invest at different points within the asset's capital structure and life cycle.

The WSIB's current return objective for real estate calls for a target benchmark of one to three percent above the NCREIF index.

Schedule of Investment Management Fees and Commissions For the Year Ended June 30, 2004

(expressed in thousands)

	Assets Under Management*	Total Fees and Commissions Expenses at 6/30/04
Public Equity Securities:		
Passive Equity Managers	\$ 14,598,953	\$ 552
International Active Equity Managers	5,381,833	9,796
International Passive Equity Managers	1,863,537	143
Equity Commissions Paid	3,083,153	6,391
Alternative Investments:		
Private Equity	6,052,840	124,773
Real Estate	4,085,385	25,728
Other Fees:		
Consultants and Advisors	-	1,770
Custodians	-	1,635
Legal Fees	-	368
Securities Lending Fees	-	6,841
Securities Lending Broker Rebates Paid	-	24,464
PERS Plan 3 Management Fees	851,500	606
SERS Plan 3 Management Fees	658,250	316
TRS Plan 3 Management Fees	2,333,542	1,599
Deferred Compensation Management Fees	1,742,018	2,114
Miscellaneous Fees	-	54
OST Operating Costs	-	37
Total	<u>\$ 40,651,011</u>	<u>\$ 207,187</u>

* This schedule excludes those assets managed by the Washington State Investment Board.

**Schedule of Broker Equity Volume and Equity Commissions Paid
For the Year Ended June 30, 2004 (page 1 of 3)**

Dealer	Equity				Fixed Income	
	Volume Transacted	Number of Shares Traded	Commissions	Commissions Per Share	Long-Term Volume Transacted	Short-Term Volume Transacted
ABD SECURITIES	\$ 2,061,179	160,912	\$ 6,781	\$ 0.04	\$ -	\$ -
ABG	3,813,128	821,276	15,869	0.02	-	-
ABN AMRO SECURITIES	34,990,904	12,281,712	158,784	0.01	-	-
ALFA CAPITAL	192,630	31,025	1,414	0.05	-	-
ALPHA BROKERAGE AE	90,077	6,085	271	0.04	-	-
AMADON CORPORATION	74,274	31,125	223	0.01	-	-
AUERBACH GRAYSON	1,616,794	176,848	5,101	0.03	-	-
BANCO SANTANDER DE NEGOCIOS	3,239,799	7,353,330	18,189	0.00	-	-
BANK AM BELLEVUE ZURICH	1,481	10,247	1,481	0.14	-	-
BANK OF NY SECURITIES INC	1,502,930	82,077	3,789	0.05	-	-
BANK VONTOBEL	3,331,872	34,746	9,997	0.29	-	-
BANQUE NATIONAL DE PARIS	1,891,390	212,682	17,296	0.08	-	-
BARING SECURITIES	35,263,605	5,722,461	88,666	0.02	-	-
BBVA SECURITIES	25,182	2,294	63	0.03	-	-
BEAR, STEARNS & CO.	28,623,208	10,168,005	102,532	0.01	-	-
BERNSTEIN SANFORD	1,156,553	35,504	1,830	0.05	-	-
BESTINVER S.A. S.V.B.	195,409	9,078	489	0.05	-	-
BHF SECURITIES	1,587,865	2,610,799	27,672	0.01	-	-
BHV	1,806,119	122,655	542	0.00	-	-
BLOOMBERG TRADEBOOK	1,143,700	828,680	3,531	0.00	-	-
BNP SECURITIES	1,878,896	2,977,802	18,248	0.01	-	-
BROCKHOUSE & COOPER	1,420,354	88,832	2,614	0.03	-	-
BROWN (ALEX) & SONS INC.	10,711,614	802,702	18,806	0.02	-	-
BUNTING WARBURG INC	3,271,455	289,002	8,875	0.03	-	-
BURNS FRY & TIMMINS	485,017	12,370	618	0.05	-	-
BURTON J VINCENT	870,200	102,752	4,327	0.04	-	-
CABOTO	961,183	489,905	2,403	0.00	-	-
CANNON SEC., INC.	2,310,717	302,364	6,925	0.02	-	-
CANTOR FITZGERALD	12,786,060	1,963,421	40,598	0.02	-	-
CARNEGIE	1,880,800	344,419	6,462	0.02	-	-
CAZENOVE & CO.	8,103,848	1,679,999	27,816	0.02	-	-
CDC MARCHE	494,867	11,173	495	0.04	-	-
CHASE MANHATTAN BANK	254,736	48,148	1,974	0.04	-	-
CHEVREUX DE VIRIEU	7,037,925	805,201	49,118	0.06	-	-
CIBC WORLD MARKETS CORP	1,599,349	90,246	2,919	0.03	-	-
CITIGROUP	3,492,036	197,524	3,143	0.02	-	-
COLLINS STEWART	7,200	17,857	263	0.01	-	-
COMMERZBANK AG	6,776,252	774,581	22,835	0.03	-	-
CREDIT AGRIGOLE	61,060,848	12,177,578	38,190	0.00	-	-
CREDIT LYONNAIS	7,741,188	11,159,848	43,424	0.00	-	-
CREDIT SUISSE FIRST BOSTON LTD	49,763,881	11,632,133	185,471	0.02	2,346,337	-
DAIWA SEC. AMERICA	18,557,315	1,559,225	55,798	0.04	-	-
DAVY STOCKBROKERS	26,672	1,796	53	0.03	-	-
DEN DANSKE	71,598	4,469	143	0.03	-	-
DEUTSCHE BANK GOVT SEC INC	12,010,301	1,484,861	45,531	0.03	-	-
DEUTSCHE BANK SECURITIES	63,579,613	17,286,147	287,425	0.02	-	-
DEUTSCHE MORGAN GRENFELL	2,760,807	722,237	9,663	0.01	-	-
DEUTSCHE SECURITIES	2,779,831	878,333	8,667	0.01	-	-
DIRECT BROKERAGE SVCS.	205,761	15,762	1,540	0.10	-	-
DRESDNER BANK	2,741,973	339,420	13,336	0.04	-	-
ECONO TRADING	1,726,273	74,819	3,372	0.05	-	-
ENSKILDA SECURITIES	20,117	1,532,357	20,117	0.01	-	-
ETRADE	9,385,699	7,005,495	24,675	0.00	-	-

**Schedule of Broker Equity Volume and Equity Commissions Paid
For the Year Ended June 30, 2004 (page 2 of 3)**

Dealer	Equity				Fixed Income	
	Volume Transacted	Number of Shares Traded	Commissions	Commissions Per Share	Long-Term Volume Transacted	Short-Term Volume Transacted
EUROMOBILIARE	\$ 1,628,905	628,213	\$ 6,908	\$ 0.01	\$ -	\$ -
EXANE	5,433,763	698,817	39,479	0.06	-	-
EXECUTION SERVICES INC	6,040,228	493,718	10,646	0.02	-	-
FIRST BOSTON CORPORATION	49,376,838	14,459,602	193,095	0.01	10,193,397	-
FIRST SOUTHWEST CO.	2,117,664	187,847	6,415	0.03	-	-
FORTIS BAN	6,935,352	508,523	19,090	0.04	-	-
FOX PITT KELTON INC	4,394,352	758,922	25,575	0.03	-	-
FUJI SECURITIES	5,009,427	56,759	7,716	0.14	-	-
G-TRADE SE	3,414,844	1,163,562	20,938	0.02	-	-
GOLDMAN SACHS & COMPANY	1,390,718,680	591,701,860	1,873,027	0.00	1,672,992,097	-
GOODBODY STOCKBROKERS	2,838,212	466,150	9,215	0.02	-	-
HSBC INVESTMENT BANK PLC	10,802,114	1,538,301	47,414	0.03	-	-
HSBC SECURITIES INC	7,941,368	8,051,639	96,211	0.01	-	-
ING BARING SECURITIES	1,635,744	277,530	3,191	0.01	-	-
INSTINET	8,782,435	2,458,845	25,910	0.01	-	-
INTERDIN B.	256,668	12,969	642	0.05	-	-
INTERMOBILIARE SEC.	3,192,557	2,147,479	18,353	0.01	-	-
INTERMONTE	3,537,265	2,157,551	16,493	0.01	-	-
INVESTMENT TECHNOLOGY GRP INC	29,532,647	2,165,260	34,975	0.02	-	-
ITG INC	2,569,027	447,038	3,425	0.01	-	-
J & E DAVY	2,285,550	135,452	5,123	0.04	-	-
J.B. WERE & SON	475,984	960,857	6,975	0.01	-	-
J.P. MORGAN SECURITIES INC	69,944,404	12,218,370	224,932	0.02	-	-
JAMES CAPEL	1,476,202	176,773	11,682	0.07	-	-
JEFFERIES & CO	92,354,530	3,597,170	2,694	0.00	-	-
JULIUS BAER	3,899,942	1,026,817	22,150	0.02	-	-
KBC FINANCE	3,453,058	322,621	18,965	0.06	-	-
KEB SMITH BARNEY SECURITIES	790,542	169,002	12,312	0.07	-	-
KEPPLER EQ	1,457,294	13,966	4,372	0.31	-	-
KLEINWORTH BENSON INC	18,729,956	5,132,903	52,817	0.01	-	-
KNIGHT SEC	30,370,629	2,019,567	250	0.00	-	-
LATINVEST	18,679	589	37	0.06	-	-
LAZARD FRERES & CO	173,264	9,876	494	0.05	-	-
LEERINK SWANN	17,364,460	617,018	6,126	0.01	-	-
LEGG MASON	788,385	68,634	3,070	0.04	-	-
LEHMAN BROTHERS INC	60,618,482	12,613,467	168,287	0.01	-	-
MACQUARIE EQUITIES	18,388,900	5,090,129	33,689	0.01	-	-
MALONEY & CO	874,802	87,090	3,484	0.04	-	-
MCDONALD & COMPANY	267,956	3,392	170	0.05	-	-
MERRILL LYNCH INTERNATIONAL	39,019,727	18,855,797	114,529	0.01	-	-
MERRILL LYNCH PIERCE	91,428,690	19,561,585	285,977	0.01	43,392	-
MIZUHO	29,658	200	44	0.22	-	-
MONTGOMERY SECURITIES	1,292,243	143,254	1,155	0.01	-	-
MORGAN STANLEY & CO	66,842,389	19,172,464	299,012	0.02	-	-
NATIONAL A	254,682	112,196	1,161	0.01	-	-
NATIONAL BANK OF CANADA	434,522	11,073	497	0.04	-	-
NCB STOCKBROKERS	3,084,835	306,800	4,803	0.02	-	-
NESBITT BURNS	197,093	47,286	2,016	0.04	-	-
NEUE ZURICH	3,114,565	74,600	11,020	0.15	-	-
NOMURA SECURITIES INTL	17,922,559	4,180,884	51,306	0.01	-	-
NZB	234,292	15,263	1,595	0.10	-	-
ODDO SECURITIES	974,090	51,176	3,080	0.06	-	-

**Schedule of Broker Equity Volume and Equity Commissions Paid
For the Year Ended June 30, 2004 (page 3 of 3)**

Dealer	Equity				Fixed Income	
	Volume Transacted	Number of Shares Traded	Commissions	Commissions Per Share	Long-Term Volume Transacted	Short-Term Volume Transacted
OPPENHEIMER & CO	\$ 1,105,420	90,881	\$ 3,391	\$ 0.04	\$ -	\$ -
PANMURE GORDON	1,136,071	43,491	4,388	0.10	-	-
PERSHING & COMPANY	192,673,948	39,500,314	149,594	0.00	-	-
PICTET & CO	2,238,077	45,288	4,569	0.10	-	-
RBC DOMINION SECURITIES	6,919,597	303,467	12,486	0.04	-	-
SALOMON BROTHERS	113,944,891	23,041,944	347,751	0.02	-	-
SAMSUNG SECURITIES CO LTD	1,002,664	30,352	14,186	0.47	-	-
SANFORD BERNSTEIN	4,286,410	1,188,173	23,281	0.02	-	-
SANTANDER INVESTMENT SEC'S	457,740	22,745	1,098	0.05	-	-
SCOTIA CAPITAL MARKET	1,792,567	75,218	3,054	0.04	-	-
SCOTIA MCLEOD	291,528	73,223	2,809	0.04	-	-
SG COWEN SECURITIES CORP	31,711	599	79	0.13	-	-
SKANDINAVISKA ENSKILDA	35,371	1,596	71	0.04	-	-
SNS BANK NETHERLAND	331,474	18,906	663	0.04	-	-
SOCIETE GENERAL	11,769,366	853,947	44,763	0.05	-	-
SPEAR, LEEDS & KELLOGG	203,723	46,024	523	0.01	-	-
STATE STREET BROKERAGE SERVICE	40,946,497	3,958,502	20,896	0.01	-	1,792,469,727
SVENSKA HANDELSBANKEN	3,098,581	322,183	8,482	0.03	-	-
SWISS BANK	17,640,261	1,128,908	36,190	0.03	-	-
THOMAS C BOWLES & CO	1,520,725	45,362	6,408	0.14	-	-
THOMAS WEISEL PARTNERS	1,427,549	722,859	2,397	0.00	-	-
TOKYO MITSUBISHI INTL	163,022	36,774	661	0.02	-	-
TORONTO DOMINION SEC INC	1,180,479	53,172	1,504	0.03	-	-
TULLET & CO	5,653	125,038	5,653	0.05	-	-
U.S. BANK	-	-	-	-	1,235,902	-
UBS SECURITIES	114,887,489	13,789,455	192,868	0.01	-	-
UBS-DB CORPORATION	1,748,486	290,802	7,333	0.03	-	-
UOB SECURITIES PTE LTD	261,485	2,332,770	28,201	0.01	-	-
USCC/SANTANDER	827,887	63,447	2,917	0.05	-	-
WAGNER SCOTT & CO	764,496	82,102	3,284	0.04	-	-
WARBURG DILLON READ LLC	32,895,535	10,124,799	126,332	0.01	-	-
WARBURG SECURITIES	9,030,639	3,403,667	83,129	0.02	-	-
WEST DEUTSCHE LANDESBANK	2,563,151	175,571	11,317	0.06	-	-
WEST LB SECURITIES	1,868,035	130,325	7,495	0.06	-	-
Total	\$3,083,153,467	956,873,079	\$6,390,679	\$0.01	\$1,686,811,125	\$1,792,469,727

Source: Washington State Investment Board

Summary of Investments Owned on June 30, 2004

Pension Trust Funds (page 1 of 6)

Description	Total Market Value	Percent of Total Market Value
INVESTMENTS		
Currencies		
E.M.U.-Euro	\$ 13,313,534	0.03%
Japan-Yen	2,180,498	--
Norway-Krone	1,565,336	--
Singapore-Dollar	1,329,020	--
South Korea-Won	1,224,156	--
Others	544,375	--
Total Currencies	<u>20,156,919</u>	<u>0.04%</u>
Money Market Funds		
State Street Bank & Trust Co.	1,050,193,817	2.11%
Total Money Market Funds	<u>1,050,193,817</u>	<u>2.11%</u>
Government Securities-Domestic		
U.S. Treasury Inflation Index	570,552,849	1.14%
U.S. Treasury Inflation Index	551,697,557	1.11%
U.S. Treasury Inflation Index	248,802,313	0.50%
U.S. Treasury Inflation Index	223,109,002	0.45%
U.S. Treasury Bond	146,568,242	0.29%
U.S. Treasury Inflation Index	141,581,117	0.28%
U.S. Treasury Inflation Index	126,122,628	0.25%
U.S. Treasury Bond	108,243,741	0.22%
U.S. Treasury Inflation Index	99,932,800	0.20%
U.S. Treasury Inflation Index	90,949,582	0.18%
U.S. Treasury Bond	70,420,835	0.14%
Others	425,125,939	0.85%
Total Government Securities-Domestic	<u>2,803,106,605</u>	<u>5.62%</u>
Less: Securities on Loan	<u>(2,287,968,683)</u>	<u>(4.59%)</u>
Net Government Securities-Domestic	<u>515,137,922</u>	<u>1.03%</u>
U.S. Agencies		
GNMA G2 003443	45,592,013	0.09%
GNMA Pool #G23428	45,371,614	0.09%
GNMA Pool #G23427	44,703,039	0.09%
FNMA FN555445	38,071,793	0.08%
FNMA FN662945	29,914,327	0.06%
FNMA FN683364	25,974,411	0.05%
FNMA FN670370	17,947,190	0.04%
FNMA FN681377	17,054,659	0.03%
FHLMC	12,872,863	0.03%
FNMA Pool #583169	4,527,941	0.01%
FNMA 95-W1 A7	3,727,068	0.01%
Others	26,504,233	0.05%
Total U.S. Agencies	<u>312,261,151</u>	<u>0.63%</u>
Less: Securities on Loan	<u>(254,875,692)</u>	<u>(0.51%)</u>
Net U.S. Agencies	<u>57,385,459</u>	<u>0.12%</u>

Summary of Investments Owned on June 30, 2004
Pension Trust Funds (page 2 of 6)

Description	Total Market Value	Percent of Total Market Value
Government Securities-Foreign		
Mexican United States	\$ 40,504,172	0.08%
Republic of Italy	30,718,430	0.06%
Republic of Argentina	8,978,330	0.02%
Total Government Securities-Foreign	<u>80,200,932</u>	<u>0.16%</u>
Pass Through Mortgages		
FHLM FGE 01343	56,535,015	0.11%
FNMA FN7763699	49,245,258	0.10%
FNMA FN704519	47,913,392	0.10%
FHLMC FGB 12930	47,703,950	0.10%
FNMA FN759854	46,880,498	0.09%
FGE 01489	45,930,071	0.09%
FNMA FNR 759225	45,752,641	0.09%
FNMA FN742089	42,807,306	0.09%
FNMA FN254803	40,926,345	0.08%
FNMA FN704572	39,468,248	0.08%
FGE 96536	36,348,226	0.07%
Others	865,359,176	1.74%
Total Pass Through Mortgages	<u>1,364,870,126</u>	<u>2.74%</u>
FHA Project/SBA Loans		
FHA PRJ-Reilly Mortgage Group #55	5,136,728	0.01%
GNMA 383716 Lowell Emerson Apt.	4,477,604	0.01%
Mission Towers	1,462,916	--
Sutter Village	719,159	--
Burien Haus	418,680	--
Total FHA Project/SBA Loans	<u>12,215,087</u>	<u>0.02%</u>
FHA/VA Residential		
GNMA Pool 458902	824,916	--
GNMA Pool 404208	560,648	--
GNMA Pool 463999	529,590	--
GNMA Pool 471803	486,426	--
GNMA Pool 480120	428,003	--
GNMA Pool 471729	394,588	--
GNMA Pool 471802	327,528	--
GNMA Pool 458909	325,707	--
GNMA Pool 471774	189,673	--
Total FHA/VA Residential	<u>4,067,079</u>	<u>0.01%</u>

Summary of Investments Owned on June 30, 2004
Pension Trust Funds (page 3 of 6)

Description	Total Market Value	Percent of Total Market Value
Conventional Residential Mortgages		
FNMA Pool 252162	\$ 4,933,205	0.01%
FNMA	3,628,871	0.01%
FNMA Pool 455600	2,604,718	0.01%
FNMA	2,528,874	0.01%
FNMA FN568468	1,676,911	--
FNMA	1,351,288	--
FHLMC Gold 1998 PL C00650	916,759	--
FNMA FN568471	873,487	--
FNMA Pool #571021	484,073	--
FNMA	466,348	--
FNMA Pool 455819	301,985	--
Others	622,972	--
Total Conventional Residential Mortgages	20,389,491	0.04%
Collateralized Mortgage Obligations		
FHR 2419 DE	29,856,929	0.06%
FNR 2002-67 AN	29,362,033	0.06%
FHR 2510 AJ	28,618,086	0.06%
CCMSC 1999-2 A2	27,871,303	0.06%
FNR 2003-67 TJ	27,385,226	0.05%
FUNBC 2001-C2 A2	27,295,682	0.05%
CSFB 2002-CKP1 A3	26,967,365	0.05%
First Union Lehman Brothers 98-C2 A2	26,961,802	0.05%
CSFB 2001-CK6 A3	26,891,030	0.05%
JPMCC 2001-CIBC A3	26,741,442	0.05%
Others	1,109,642,324	2.23%
Total Collateralized Mortgage Obligations	1,387,593,222	2.78%
Asset Backed Securities		
FUNBC 2001-C3 A3	19,843,473	0.04%
Standard Credit Card 1995-9A ABS	15,679,186	0.03%
Standard Credit Card Master Trust	12,829,726	0.03%
Others	108,333,130	0.22%
Total Asset Backed Securities	156,685,515	0.31%
Corporate Bonds-Domestic		
CSX Corp.	86,125,458	0.17%
Goldman Sachs	79,859,680	0.16%
HBOS Treas Services	73,701,254	0.15%
International Finance Corp.	64,704,674	0.13%
British Sky Broadcasting	57,494,868	0.12%
Norfolk Southern Corp.	55,228,671	0.11%
US Bank NA	53,759,438	0.11%
SLM Corp.	49,911,913	0.10%
Merrill Lynch	49,885,542	0.10%
American Honda Finance	47,708,916	0.10%
Others	2,685,386,024	5.39%
Total Corporate Bonds-Domestic	3,303,766,438	6.63%
Less: Securities on Loan	(323,379,792)	(0.65%)
Net Corporate Bonds-Domestic	2,980,386,646	5.98%

Summary of Investments Owned on June 30, 2004

Pension Trust Funds (page 4 of 6)

Description	Total Market Value	Percent of Total Market Value
Corporate Bonds-Foreign		
Braskem SA	\$ 74,382,970	0.15%
Quebec Province CDA	61,208,814	0.12%
Province of Manitoba	51,849,866	0.10%
Cia. Brasil de Bebidas	48,794,733	0.10%
Petro Bras Intl.	48,707,440	0.10%
YPF Sociedad Anonima SA	47,048,943	0.09%
Nordic Investment Bank	47,023,883	0.09%
Export Development CDA	46,978,085	0.09%
Vale Overseas	40,901,281	0.08%
European Investment Bank	40,704,810	0.08%
Others	768,389,318	1.54%
Total Corporate Bonds-Foreign	1,275,990,143	2.56%
Variable Rate Notes		
Variable Rate Notes	1,365,146,796	2.74%
Total Variable Rate Notes	1,365,146,796	2.74%
Private Equity		
KKR 1996 Fund	462,637,704	0.93%
KKR Millenium Fund	344,485,555	0.69%
KKR European Fund	262,224,753	0.53%
Warburg Pincus Equity Partners, LP	238,807,391	0.48%
Fortress Investment Fund LLC	226,285,198	0.45%
Welsh Carlson Anderson Stowe IX	149,787,885	0.30%
Warburg Pincus Private Equity VIII	146,153,229	0.29%
APAX Europe IV-A, LP	138,536,209	0.28%
Doughty Hanson & CO III, LP	132,860,158	0.27%
KKR 1987 Fund	130,483,566	0.26%
Others	3,820,578,889	7.67%
Total Private Equity	6,052,840,537	12.14%
Real Estate		
Hometown America, LLC	730,771,968	1.47%
Principal Enterprise Capital I	620,472,248	1.24%
Hawthorne Timber LLC	290,715,745	0.58%
Lonestar Fund III	288,057,276	0.58%
MSREF IV International	258,451,425	0.52%
Lonestar IV (us) LP	257,873,910	0.52%
Pactrust Realty Assoc. LP	237,202,530	0.48%
European Investment Properties Limited	215,291,826	0.43%
Olympia Properties LLC	206,526,721	0.41%
Union Square LP	197,765,940	0.40%
Others	782,258,265	1.57%
Total Real Estate	4,085,387,854	8.20%

Summary of Investments Owned on June 30, 2004
Pension Trust Funds (page 5 of 6)

<u>Description</u>	<u>Total Market Value</u>	<u>Percent of Total Market Value</u>
Corporate Stock-Domestic		
Alliance Data Systems Corp.	\$ 2,100,670	--
Total Corporate Stock-Domestic	<u>2,100,670</u>	<u>--</u>
Corporate Stock-Foreign		
Ishares Inc	66,748,597	0.13%
Toyota Motor Corp.	65,763,540	0.13%
Telefonica CA	59,881,478	0.12%
BP Amoco	58,987,679	0.12%
Total SA Service B Ordinary	57,840,212	0.12%
Glaxo Smith Kline	53,896,928	0.11%
Canon Inc.	53,132,101	0.11%
Royal Dutch Petrol	50,564,633	0.10%
BG Group	45,880,773	0.09%
Others	<u>3,469,103,009</u>	<u>6.96%</u>
Total Corporate Stock-Foreign	<u>3,981,798,950</u>	<u>7.99%</u>
Less: Securities on Loan	<u>(334,264,867)</u>	<u>(0.67%)</u>
Net Corporate Stock-Foreign	<u>3,647,534,083</u>	<u>7.32%</u>
Commingled Index Funds-Domestic		
BGI US Equity Market Fund	14,540,705,220	29.17%
WSIB US Equity R/S	<u>8,505,780</u>	<u>0.02%</u>
Total Commingled Index Funds-Domestic	<u>14,549,211,000</u>	<u>29.19%</u>
Commingled Index Funds-Foreign		
MSCI EAFE	1,753,736,982	3.52%
World EX US Alpha Tilts	606,152,453	1.22%
Capital Guardian Growth Fund	179,028,567	0.36%
GMO TR	167,719,992	0.34%
Foreign Colonial Emerging Market Group TR	126,502,311	0.25%
Schroder Emerging	116,684,871	0.23%
Canada MSCI Index Fund	<u>109,799,518</u>	<u>0.22%</u>
Total Commingled Index Funds-Foreign	<u>3,059,624,694</u>	<u>6.14%</u>
Commercial Paper		
Commercial Paper	<u>192,490,706</u>	<u>0.39%</u>
Total Commercial Paper	<u>192,490,706</u>	<u>0.39%</u>
Repurchase Agreements		
BNP	209,779,743	0.42%
Deutsche Bank	175,043,486	0.35%
Morgan Stanley & Company Inc.	128,169,629	0.26%
Lehman Brothers	34,055,153	0.07%
Daiwa Securities American Inc.	3,248,350	0.01%
Bear Stearns	1,109,191	--
Goldman Sachs & Co. Inc.	<u>33,750</u>	<u>--</u>
Total Repurchase Agreements	<u>551,439,302</u>	<u>1.11%</u>

Summary of Investments Owned on June 30, 2004

Pension Trust Funds (page 6 of 6)

Description		Total Market Value	Percent of Total Market Value
Securities on Loan			
Securities on Loan-Domestic	\$	2,866,224,168	5.75%
Securities on Loan-Foreign		334,264,867	0.67%
Total Securities on Loan		<u>3,200,489,035</u>	<u>6.42%</u>
Guaranteed Investment Contracts			
Savings Pool		576,357,143	1.16%
Total Guaranteed Investment Contracts		<u>576,357,143</u>	<u>1.16%</u>
Life			
G.E. Capital Assurance		31,778	--
Total Life		<u>31,778</u>	<u>--</u>
Mutual Funds			
U.S. Stock Market Index Fund		400,325,791	0.80%
Fidelity Equity-Income Fund		365,930,151	0.73%
U.S. Large Stock Index Fund		311,984,491	0.63%
Fidelity Independence Fund		296,562,136	0.59%
Washington State Money Market Fund		285,607,834	0.57%
U.S. Small Stock Index Fund		271,444,793	0.54%
Washington State Bond Fund		256,289,881	0.51%
Fidelity Growth Company Fund		211,469,214	0.42%
International Stock Index Fund		133,568,716	0.27%
Washington State Mid-Horizon Fund		96,214,957	0.19%
Others		196,013,287	0.39%
Total Mutual Funds		<u>2,825,411,251</u>	<u>5.67%</u>
Certificates of Deposit			
Certificates of Deposit		810,101,142	1.63%
Total Certificates of Deposit		<u>810,101,142</u>	<u>1.63%</u>
TOTAL INVESTMENTS	\$	<u><u>49,843,438,349</u></u>	<u><u>100.00%</u></u>